The Cartoon Network LP. LLLP et al v. CSC Holdings, Inc. et al Doc. 25

HIGHLY CONFIDENTIAL—SUBJECT TO PROTECTIVE ORDER

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

TWENTIETH CENTURY FOX FILM CORP., et al.,
Plaintiffs,

v. — 06 Civ. 3990 (DC)

CABLEVISION SYSTEMS CORP., et al.,
Defendants.

CABLEVISION SYSTEMS CORP., et al.,
Counterclaim-Plaintiffs,

v.

TWENTIETH CENTURY FOX FILM CORP., et al.,
Counterclaim-Defendants.

THE CARTOON NETWORK LP, LLLP, et al.,
Plaintiffs,

v. — 06 Civ. 4092 (DC)

CSC HOLDINGS, INC., et al.,
Defendants.

CABLEVISION SYSTEMS CORP., et al.,
Counterclaim-Plaintiffs,

v.

THE CARTOON NETWORK LP, LLLP, et al.,
Counterclaim-Defendants.

CABLEVISION SYSTEMS CORP., et al.,
Third-Party-Plaintiffs,

v.

TURNER BROADCASTING SYSTEM, INC., et al.,
Third-Party-Defendants.

MEMORANDUM OF LAW IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

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Defendants, counterclaim-plaintiffs, and third-party-plaintiffs Cablevision Systems Corp. and CSC Holdings, Inc. (collectively, "Cablevision" or "defendants") hereby submit this Memorandum in support of their Motion for Summary Judgment against plaintiffs, counterclaim-defendants, and third-party-defendants Twentieth Century Fox Film Corporation, Universal City Studios Productions LLLP, Paramount Pictures Corporation, Disney Enterprises, Inc., CBS Broadcasting Inc., American Broadcasting Companies, Inc., NBC Studios, Inc., Cable News Network LP, LLLP, The Cartoon Network LP, LLLP, Turner Broadcasting System, Inc., Turner Network Sales, Inc., Turner Classic Movies LP, LLLP, and Turner Network Television LP, LLLP (collectively "plaintiffs") on all counts of the complaints, counterclaims, and third-party claims filed in the actions numbered C.A. No. 06 Civ. 3990 (DC) and C.A. No. 06 Civ. 4092 (DC).

INTRODUCTION

For over two decades, it has been established that a consumer does not violate the copyright laws when he or she records copyrighted television programs for later personal viewing ("time-shifting"). The Supreme Court in the seminal case of *Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984), held that such time-shifting using Sony's Betamax recorders was "fair use." Since *Sony*, there have been significant changes in the technology used by consumers to record programming. Betamaxes were replaced by VHS-format VCRs, which are now being supplanted by digital video recorders that record programming on a computer hard drive located within the set-top box ("set-top storage DVRs" or "STS-DVRs"). But the fundamental principle that consumers may record television programs for personal time-shifting purposes has remained unchallenged.

A separate fundamental principle established in *Sony* and subsequent cases is that a company is not liable for *providing* a machine consumers use to make copies (even if the machine could be used to make unauthorized copies). It is not surprising, therefore, that no television programmer ever sued the various companies that introduced VHS-format VCRs or STS-DVRs that provide basic time-shifting functionality to consumers. Indeed, for over two years Cablevision has provided, and currently provides, set-top storage DVRs to its subscribers; yet Cablevision's provision of such machines has never been challenged, and it is not challenged here.

This case involves Cablevision's Remote Storage Digital Video Recorder ("RS-DVR"), the next generation product offering that allows consumers to record television programming for private time-shifting purposes. The basic facts with respect to the RS-DVR are not in dispute. The RS-DVR will provide customers with the same essential functionality as the set-top storage DVRs currently used by Cablevision customers: (i) the customer will have a Cablevision-owned set-top box and a remote control in his home; (ii) from home, the customer will choose what programming to record and will press "record" on his or her remote control to activate recording; (iii) such customer action will result in computer equipment making an individual unique copy of the program on a hard drive, where it will be stored for the customer's later viewing; (iv) the copy will be specifically and exclusively associated with the set-top box of the customer and can be accessed only by that customer (or members of his or her household) through that set-top box; and (v) the customer will from the home initiate the playback of his or her own unique copy for viewing at a later time of the customer's choosing.

In its basic functionality, the change from STS-DVR to RS-DVR will be imperceptible to the subscriber; he will have to perform precisely the same manual steps to record and play back programming and will be able to record the very same programming using RS-DVR as with STS-DVR. The difference is only one of architecture; the storage and associated recording technology will no longer be located within the set-top box, but will now be housed in servers located at Cablevision's facilities. In short, with RS-DVR as with STS-DVRs, Cablevision is merely giving the customer access to Cablevision-owned recording equipment with which the customer can lawfully record television programming for later viewing.

Notwithstanding the indisputable similarities between RS-DVRs and STS-DVRs, plaintiffs here argue that by providing the RS-DVR Cablevision has suddenly become a direct copyright infringer. Importantly, plaintiffs do not accuse Cablevision of *indirect* infringement -- that is, plaintiffs do not allege that Cablevision will be responsible for illicit copying done by *customers* using Cablevision's RS-DVR, presumably because they recognize that *Sony*'s core holding forecloses such a claim. Instead, plaintiffs claim that with RS-DVR, unlike prior technologies, it is Cablevision itself that is making the copies of the copyrighted television programming. In other words, plaintiffs claim that because with RS-DVR the recording equipment used by the subscriber to make copies will now be located in Cablevision's facilities (rather than inside Cablevision's set-top box), Cablevision has somehow crossed the line and will itself be "doing" the act that violates copyright.

Plaintiffs' theory of direct infringement is not supported by the facts, and runs squarely into contrary case law. Specifically, it is hornbook law that when a company merely supplies machinery that consumers use to duplicate copyrighted material, it is not *directly* liable for any resulting infringement. This rule is reflected in *Sony* itself, as well as in a series of influential Internet-related cases, *e.g.*, *Religious Technology Center v. Netcom On-Line Communications System, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995) and the Fourth Circuit's decision in *CoStar*

Group, Inc. v. LoopNet, Inc., 373 F.3d 544 (4th Cir. 2004), holding that the owner of an automated computer system making copies at the instigation of its users is not directly liable for copying.

Plaintiffs will presumably attempt to distance themselves from these cases by cataloging the various ways in which they believe Cablevision is "involved" in the provision of RS-DVR and has "control" over the RS-DVR machinery. But the case law is clear that the principle that direct liability does not arise from supplying machinery for third party use does not vary depending on where the machinery is located or whether its provider owns, possesses or services it during its use. The principle applies (i) whether the copying machinery is sold outright to the consumer -- as when Sony sold Betamax to the public, (ii) whether the company owns and services the copying machinery during its use by the consumer -- as when Xerox leases copy machines to large companies for use in their offices, (iii) whether the company maintains actual and ongoing physical possession over a machine on its premises -- as when Kinko's places a photocopier in the front of its store for the public to make self-service copies, or (iv) whether a company sets up a computer system that allows consumers remotely to post content to and download content from its resident computer servers. In each of these cases, the consumer alone is seen as actively engaged in copying and hence himself *directly* liable for any consequent infringement. In contrast, courts analyze questions of liability involving companies such as Sony, Xerox, or Kinko's that supply recording or copying technology to consumers under principles of *indirect* infringement -- a theory that plaintiffs have explicitly waived.

This case can and should be resolved on summary judgment because the parties' disagreement is really over the proper legal standard for determining direct copyright infringement, and the material facts are fundamentally uncontested. Cablevision's view of the legal standard is straightforward: A party cannot become a direct infringer by providing others with the means to record and playback their own copies of programming. Nor does a party become a direct infringer merely by implementing, overseeing or servicing a system that copies material in response to user commands. While Cablevision has built the RS-DVR system, owns or leases most of its component equipment and software, and retains basic ongoing maintenance responsibilities, it cannot reasonably be contested that it is the *customer* who will decide what programs to copy, and that copies will be made and stored using RS-DVR only in response to *customer* commands.

Nor can plaintiffs prevail on their alternative theory that Cablevision will be directly infringing by engaging in unauthorized "public performances," in connection with customer playback of the programs stored in the RS-DVR servers. A plaintiff seeking to impose liability on that theory must establish *both* that the *defendant* performed the work *and* that the "performance" was *public*. These plaintiffs cannot establish either. First, just as there is no "copying" by Cablevision, there is no "performance" by Cablevision. RS-DVR, from beginning to end, is an automated machine operated by customer commands with respect to the actual making, storing and viewing of particular copies; on such facts, Cablevision cannot be liable for direct infringement under the Copyright laws. In any event, the "performance" (regardless of who is doing it) is simply not "public." On the contrary, a customer's playback of his own unique copy of a program for his own personal viewing within the home is a quintessentially private occurrence, as is supported both by the statutory definitions and applicable case law.

At bottom, given that the customer does and can do the same thing with both STS-DVR and RS-DVR, the success of plaintiffs' challenge depends on attaching vast legal significance to the only difference between STS-DVR and RS-DVR: that the storage and associated recording technology will no longer be located within the set-top box but will now be housed in servers located at Cablevision's facilities. But attaching such significance to this difference is tantamount to claiming that a fundamentally different copyright law regime should apply to Cablevision's RS-DVR than was established in *Sony* and the cases that follow it.

In short, notwithstanding plaintiffs' efforts to force this case into a direct infringement box into which it does not fit, Cablevision, by providing RS-DVR, will be doing nothing more than enabling customers to engage in the long-established and well-accepted practice of time shifting, as they do currently with set-top DVRs. Because the applicable law is clear that a party is not a direct infringer when it merely provides a third party the machinery that the third party uses to make copies, Cablevision is entitled to summary judgment.

UNDISPUTED FACTS

The facts necessary for this Court to decide this case on summary judgment are limited and are not in dispute.

Case Background

In March of 2006, Cablevision sent letters to many of the entities that supply television programming for Cablevision's cable services, including to each of the plaintiffs in this case, describing the basic functionality of RS-DVR and notifying them of its intent to commence a technical trial in June of this year and to offer the product to subscribers soon thereafter. *See* Cablevision's Local Rule 56.1 Statement ("LR56.1") ¶ 1 (Complaint of The Cartoon Network LP, LLLP, *et al.* dated May 26, 2006 ("Turner Complaint") ¶ 19; Cablevision's Answer, Counterclaims, and Third Party Claim, dated June 19, 2006 ("Turner Answer") ¶¶ 19, 82).

Based on Cablevision's letters, the plaintiffs in the 3990 action filed their lawsuit in this Court on May 24, 2006, seeking a declaratory judgment that Cablevision would infringe their copyrights if it launched the RS-DVR, and an injunction based on that judgment. *See* Complaint of Twentieth Century Fox Film Corp. *et al.*, dated May 24, 2006 ("Fox Complaint") ¶¶ 3, 20-27. The plaintiffs in the 4092 action filed their similar lawsuit on May 26, 2006, asserting identical claims, and seeking identical relief. *See* Turner Complaint ¶¶ 7, 37-43. Both lawsuits were assigned to this Court, and while they have not been formally consolidated, they have been treated as one case for purposes of scheduling, discovery, dispositive motions and trial (should trial be necessary). *See* Scheduling Order dated June 7, 2006 ("First Scheduling Order"); Scheduling Order dated July 19, 2006 ("Second Scheduling Order").

All parties to both lawsuits attended a scheduling conference with this Court on June 7, 2006. Prior to that scheduling conference, plaintiffs in both actions confirmed that they were not advancing any claims based on theories of *indirect* infringement, and were pursuing *direct* infringement claims. This agreement was memorialized in an Order entered by the Court, which indicated that, "Plaintiffs in both 06 CV 3990 (DC) and 06 CV 4092 have asserted only claims of *direct* copyright infringement." *See* First Scheduling Order (emphasis added).

The RS-DVR

Based on the First Scheduling Order, and the fact that plaintiffs assert only claims of direct infringement, the parties in both of these cases have conducted discovery focusing in large part on the hardware and software involved in RS-DVR and the specifics of how the RS-DVR functions. Based on this discovery, the following dispositive facts are not in dispute:

- Cablevision currently provides to various of its customers Cablevision-owned, Scientific-Atlanta manufactured set-top storage DVRs (known by their model number, 8300), which contain hard drives and enable digital cable customers to digitally record programming owned by each of the plaintiffs and third-party-defendants in these cases. *See* LR56.1 ¶ 2 (Declaration of Stephanie Mitchko ("Mitchko Decl.") ¶¶ 5-6).

- Various Cablevision customers currently have in their homes digital cable boxes that, unlike the 8300, do not support digital video recording. *See* LR56.1 ¶ 3 (Mitchko Decl. ¶ 11).
- RS-DVR will enable customers with these non-DVR digital cable boxes to record the same television programming that its 8300 customers currently can (that is, all linear programming within the specific tier of programming for which the customer has paid (which includes prescheduled pay-per-view ("PPV") but not Video on Demand ("VOD") or non-traditional interactive services ("Subscription Programming")). *See* LR56.1 ¶ 4 (Mitchko Decl. ¶¶ 6, 12, 15; Declaration of Robert D. Carroll ("Carroll Decl.") Ex. B, Gottesman Dep. at 245:4-8).
- With the same remote control used with the 8300, the RS-DVR customer will perform the same manual operations as 8300 customers (*e.g.*, pressing the "record" or "play" button) to record a program or play back a program he or she has recorded. *See* LR56.1 ¶ 5 (Mitchko Decl. ¶ 12).
- All recordings made using the RS-DVR are customer initiated. The RS-DVR system only operates in response to customer input. In other words, a program will be recorded and accessible to the customer if and only if that customer performed the necessary operations on his remote control (*i.e.*, pressing

"record").[1] Thus, Cablevision does not choose what programs are recorded on the RS-DVR; the customer does. *See* LR56.1 ¶ 6 (Mitchko Decl. ¶¶ 16-17).

- From the moment the customer presses "record" on his or her remote, the recording process is entirely automated and involves no human intervention or decision-making by any employee at Cablevision. *See* LR56.1 ¶ 7 (Mitchko Decl. ¶¶ 20, 21, 31).
- The resulting chain of automated processes involves computer hardware and software located at a Cablevision "head-end" (a "head-end" is a central facility of a cable operator, which houses much of the software and hardware necessary to run a cable system), ultimately resulting in a separate recording of the program being written to a specific hard drive on a computer server located at Cablevision's facilities. *See* LR56.1 ¶ 8 (Mitchko Decl. ¶¶ 13, 14, 21-27, 29, 31). All programs recorded by a given customer will be stored on the same physical hard drive, which he will share with anywhere from one to three other customers, and on which he has been allocated a specific amount of storage space. Through use of identifiers, each copy is uniquely associated with the set-top box through which the record command was sent and can be retrieved only by that same set-top box, meaning that no customer will be able to access another customer's copies. *See* LR56.1 ¶ 9 (Mitchko Decl. ¶¶ 14, 24, 36, 38, 41; Carroll Decl. Ex A, Mitchko Dep. at 47:13-48:3, 61:8-23, 63:12-24).

[1] The parties may disagree over the words used to characterize what happens when the customer presses "record" on his remote: *e.g.*, whether he "commands" or "requests" that a copy be made. What is indisputable is that the RS-DVR acts directly in response to the customer's use of the remote control, and a program will be copied and made accessible to the customer only if the customer initiated the recording using the remote control.

- Thus, if 1000 customers elect to record a given program, 1000 separate copies of the program are created, each uniquely associated with each customer's set-top box and accessible only by that customer. *See* LR56.1 ¶ 10 (Mitchko Decl. ¶¶ 14, 24, 29, 36, 38, 41; Carroll Decl. Ex. C, Blattman Dep. at 182:24-183:23; Carroll Decl. Ex. A, Mitchko Dep. at 316:22-318:2).

- Just as it is the customer who decides what programs to record and initiates the recording process, so it is the customer who decides what programs to play back and initiates the retrieval process by pressing "play" on his or her remote control. From that point on, the retrieval and playback process is entirely automated. What is played back to the customer is his own unique copy -- that is, the copy of the program that was created as a result of his earlier record command and that is uniquely and exclusively associated with the set-top box through which such command was made. *See* LR56.1 ¶ 11 (Mitchko Decl. ¶¶ 33, 34, 37-39, 41, 43; Carroll Decl. Ex. A, Mitchko Dep. at 71:9-23, 73:2-12, 84:17-85:7).

ARGUMENT

This case is appropriate for resolution on summary judgment because it presents purely a legal question concerning the appropriate standard for determining direct liability under the Copyright Act, and the material facts are not in dispute.

I. CABLEVISION DOES NOT DIRECTLY INFRINGE PLAINTIFFS' COPYRIGHTS WHEN CUSTOMERS USE THE RS-DVR TO COPY PROGRAMMING.

Plaintiffs first claim that Cablevision directly infringes plaintiffs' right to "reproduce" their copyrighted works under 17 U.S.C. § 106(4). They cannot make out such a claim.

Copyright liability is divided into two separate categories: (1) direct and (2) indirect (contributory or vicarious) liability. Direct infringement occurs when the defendant actually engages in one of the activities that is exclusively reserved to copyright owners. Indirect infringement, on the other hand, arises when another party is the direct infringer, but the defendant engages in conduct such that it induces, contributes to, or is otherwise responsible for the other party's infringement. For indirect liability to be imposed, there must be underlying direct infringement. *See, e.g., Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998) (citing *Cable/Home Commc'n Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 (11th Cir. 1990)) ("Contributory infringement necessarily must follow a finding of direct or primary infringement."); 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT ("NIMMER") § 12.04[A][3][b][i] (2006) ("There can, by definition, be no contributory liability if that conduct which is aided by the putative contributory infringer is not itself infringing.").

It is axiomatic that, in order for a party to be found liable for direct infringement, that party must do more than supply the machinery used by others to copy material. This is plainly seen in situations involving the direct forerunners of RS-DVR, including the Betamax, the DVR and central network storage systems. Merely implementing, overseeing, or servicing a system that passively copies material in response to the commands of third parties is similarly not enough.

A. Copyright Law Distinguishes Between Direct Infringement And Indirect Infringement: The Former Involves Personally Doing the Activity Reserved to the Copyright Owner; the Latter Involves Facilitating Others to Do So.

Any analysis of whether Cablevision can be held liable as a *direct* infringer must begin with the language and structure of the Copyright Act. The Act embodies the basic, intuitive notion that a party can be held liable for direct infringement only if it actually and directly engages in the activity in question. The statute, 17 U.S.C. § 106, "is cast in terms of *activities* which are reserved to copyright owners." *Playboy Enters., Inc., v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 512 (N.D. Ohio 1997) (emphasis in original). Among those activities are to "reproduce" and to "publicly perform" their copyrighted works. Section 106 of the Copyright Act provides, in pertinent part:

> Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights *to do* and to authorize any of the following:
>
> (1) reproduce the copyrighted work in copies or phonorecords;
>
> . . .
>
> (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures, and other audio visual works, to perform the copyrighted work publicly....

17 U.S.C. § 106 (2006) (emphasis added).

Given that § 106 is cast in terms of the copyright owner's exclusive rights "to do" certain activities, it should come as no surprise that courts have repeatedly held that in order to directly infringe upon one of those rights, a party must actively engage in one or more of the protected activities.[2] *See, e.g., CoStar,* 373 F.3d at 551 (a person has "to engage in...the act constituting infringement [] to become a direct infringer") (citing *Netcom*); *Russ Hardenburgh*, 982 F. Supp. at 512 ("[A]n infringer must *actually engage* in one of those activities [set forth in § 106] in order to directly violate the statute.") (emphasis in original); *Marobie-Fl, Inc. v. Nat'l Ass'n of Fire Equip. Distribs.*, 983 F. Supp. 1167, 1178 (N.D. Ill. 1997) (finding no direct infringement because defendant "did not actually engage in" any of the alleged § 106 activities).

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[2] Although § 106 also addresses the copyright owner's right "to authorize" the enumerated protected activities, it is well established that Congress' addition of this phrase was intended to clarify that under the Act one can be indirectly liable for the infringing acts of another, and was not intended to create a separate basis for liability for authorizing an act that is not itself infringing. *See* H.R.REP. NO. 94-1476 at 61 (1975), *reprinted in* 1976 U.S.C.C.A.N. at 5674 ("Use of the phrase 'to authorize' is intended to avoid any questions as to the liability of contributory infringers."); *Subafilms, Ltd. v. MGM-Pathe Commc'n Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (en banc) (agreeing that the addition of the words "to authorize" in the Copyright Act was "intended to invoke the preexisting doctrine of contributory infringement"); *National Football League v. PrimeTime 24 Joint Venture*, No. 98 Civ. 3778, 1999 WL 163181, at *4 (S.D.N.Y. March 24, 1999) (noting that 17 U.S.C. § 106 "does not create an infringeable right of authorization independent of infringement of one of the specific enumerated rights set forth in section" because "use of the phrase 'to authorize' is intended to avoid any questions as to the liability of contributory infringers"). *See also Well-Made Toy Mfg. Corp. v. Lotus Onda Indus. Co., Ltd.*, No. 02 Civ. 1151, 2003 WL 42001, at *5 (S.D.N.Y. Jan. 6, 2003) ("It is now generally accepted that there can be no liability under the Copyright Act for merely authorizing an act that could not itself constitute infringement of rights secured by United States law."); *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, No. 96 Civ. 1103, 1996 WL 724734, at *6 (S.D.N.Y. Dec. 17, 1996) (adopting *Subafilms*); 3 NIMMER, § 12.04[A] (citing cases) ("Congress' use of the phrase 'to authorize' establishes the liability, whether vicarious or as a contributory infringer, of one who does no more than cause or permit another to engage in an infringing act.").

Thus, to prove their direct infringement claim, plaintiffs must establish that Cablevision actually "does" (*i.e.*, actively engages in) one of the activities reserved to copyright owners. This requires different and stricter proof than when establishing indirect liability, which allows for "the imposition of liability on persons who have not themselves engaged in the infringing activity." *Sony*, 464 U.S. at 435. Indeed, "[t]here would be no reason to bifurcate copyright liability into the separate categories of direct and contributory if any remote causal connection to copyright infringement could be analyzed under theories of direct infringement." *Russ Hardenburgh*, 982 F. Supp. at 513. This means that to establish direct liability, plaintiffs must show more than that Cablevision will "induce, cause, or materially contribute" to copying activities using the RS-DVR, such actions being the touchstones of an *indirect* infringement claim, eschewed by plaintiffs. *See Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971). And of particular importance to this case, a company does not actively engage in copying simply by providing the machinery or technology that allows customers to record television programming.

B. Merely Supplying Machinery That Allows Others To Copy Is Insufficient To Establish Direct Infringement, And Can At Most Establish Indirect Liability.

Providing another with machinery or goods that provide the means to infringe is not itself direct infringement. Rather, it is -- literally -- a hornbook example of activity that is analyzed under contributory liability principles. *See* 3 NIMMER § 12.04[A][3] ("Contributory infringement itself is of two types -- personal conduct that forms part of or furthers the infringement and contribution of machinery or goods that provide the means to infringe."). In particular, the mere act of providing customers with the technological means to copy material does not itself establish direct liability for copying. This principle holds true irrespective of whether the party retains ownership of the copying device, keeps it on his or her premises, or makes copies of everything that a user requests as part of a server-based network. As demonstrated below, so long as the provider of a machine or network does no more than allow the customer to *use* the system it creates or provides, any liability must be premised on a theory of indirect liability.

1. Recordings Made Using Betamaxes, VCRs, or DVRs Sold to Consumers

The seminal case on consumer copying of television programming is *Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). *Sony* established not only that consumer copying of television programming is fair use under the Copyright Act, but also that providing the machinery used by consumer is only actionable, if at all, under a theory of indirect infringement.

In *Sony*, owners of certain copyrighted television programming sued Sony (which manufactured and distributed the Betamax), retail stores which sold the Betamax, an advertising agency that promoted the Betamax, and an individual defendant, William Griffiths, who "used his Betamax in his home to copy plaintiffs' broadcast material for his own home use." *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 432 (C.D. Cal. 1979).

In its opinion, the district court recognized that the copiers (and would-be direct infringers) were the Betamax users who recorded the television programming in their homes: "[t]his lawsuit concerns individuals in their homes copying material to view at a later time in their homes." *Id.* at 454. The Court held that such "home-use" recording was "fair use" within the meaning of the Copyright Act, *see id.* at 442-56, and that none of the corporate defendants was liable for contributory infringement. *Id.* at 459-461.

In an often-overlooked portion of the case, the plaintiffs also sought to hold Sony liable as a direct infringer because it furnished the instrumentality for the allegedly infringing activity and knew that the major use of the Betamax would be to record copyrighted material. The district court -- in a ruling that was not reached by the appellate courts -- firmly rejected the contention that providing the public with a machine capable of recording copyrighted programming could make Sony a direct infringer, *see id.* at 457-59.

Although the Supreme Court did not address the judgment in Sony's favor on the direct infringement theory, the Court's entire opinion -- and in particular its comprehensive "fair use" analysis -- presumes that only the Betamax users were directly responsible for copying. Indeed, in its discussion of whether Sony was a contributory infringer, the Court rejected as "a gross generalization that cannot withstand scrutiny" the programmers' arguments "that supplying 'the means' to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement." *Sony*, 464 U.S. at 436. Holding that Sony had done no more than "supply a piece of equipment that is capable of copying the entire range of programs," the Court held that such circumstances were insufficient to establish even secondary liability. *Id.*

2. Provision of STS-DVRs to Customers by Cable Operators

The basic principle set forth in the *Sony* litigation -- that providing a machine that others can use to make copies is insufficient in itself to establish copyright liability (whether direct or indirect) -- has been applied beyond *Sony*'s specific fact pattern, regardless of whether the owner of the machine maintains an ownership interest in the machine. Indeed, while *Sony* dealt only with a situation where the manufacturer and distributor of the copying technology sold it to a retailer and thus had no direct contact with the consumer purchasers and no ownership interest in the product during its period of use by consumers, *Sony's* fundamental mandate has been accepted even where the company providing the machinery maintains ownership of or possession over the machine.

This acceptance can be seen with respect to traditional STS-DVRs, which have been widely deployed for years without challenge. When Cablevision and other cable companies provide STS-DVRs to their customers, it is not in the context of an outright sale. Instead:

- Cable operators typically retain ownership of the boxes (including of course the hard drives inside the boxes) that they provide to customers and charge a monthly fee for the customer's use of the box. *See* Mitchko Decl. ¶ 6.
- Those boxes are connected to a cable television system owned and operated by the cable operator. The boxes are maintained and serviced by Cablevision. See *id.*
- Cable operators provide a head-end-based programming guide, to which the DVR must be continually connected in order to effect recordings. *See id.* ¶ 13.

Despite these facts, no programmer -- not even the plaintiffs in these cases -- has ever sued Cablevision or any other cable operator in connection with its providing set-top storage DVRs to its customers. To the contrary, plaintiffs -- which include companies whose corporate affiliates actively market STS-DVRs -- and other programmers apparently have accepted the legality of the basic functionality and recording technology of the traditional set-top storage DVR. The evidence of plaintiffs' acceptance of DVRs is longstanding, and goes beyond plaintiffs' decision not to challenge DVRs in this case. For example, in 2001, various of the plaintiffs in this case sued ReplayTV, Inc. over a particular set-top storage DVR it was offering to consumers. *Paramount Pictures Corp., et al. v. ReplayTV, Inc., et al.*, No. 01-09358-FMC (C.D. Cal. 2001). However, plaintiffs alleged infringement only with respect to particular advanced functionalities -- for example, an automatic commercial-skipping feature, and a feature that allowed the consumer to forward programming from the set-top DVR to the Internet -- that are available neither in the 8300 set-top storage box Cablevision offers to customers, nor in Cablevision's RS-DVR. *See* Plaintiffs' Amended Complaint (filed Nov. 21, 2001) at 2-4. Plaintiffs Disney, NBC, Paramount, ABC and other programmers in fact stated in that case that they were not challenging the more basic functionality of traditional STS-DVRs.

Ultimately, it is indisputable that in providing traditional STS-DVRs, cable companies, like Sony before them, merely supply recording equipment technology to customers, and the customer alone decides what programs to record and initiates all copying by pressing the "record" button on his or her remote control, as even plaintiffs in this case acknowledge. *See, e.g.,* Deposition of Karen Byko, dated August 3, 2006, at 26:24-27:13; Deposition of Michael Dehart, dated August 2, 2006, at 107:4-7, 114:22-115:3; Dehart Ex. 14 (January 16, 2004 email from Dehart to Scott Teissler stating that PVRs are "100% consumer controlled").

The widespread acceptance of STS-DVRs demonstrates that neither the fact that the cable operator owns the boxes (including the hard drive inside them), nor the fact that the operator maintains and services boxes nor the fact that it continually populates a program guide that is required for use of the STS-DVRs, alters the fundamental reality that these are consumer copying devices. The cable company's ownership of the equipment has no logical or legal bearing on the question of who is "doing" the copying for direct infringement purposes, just as it does not matter whether Xerox sells or leases a copy machine. In either instance, it is easily understood that the copying is done by the user, not by the machine owner.[3]

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[3] The fact that the cable company supplies machinery to and maintains a service relationship with its DVR customers might be relevant to a theory that the cable operator was indirectly liable for the customer's infringing conduct. *See Sony*, 464 U.S. at 437 ("[T]he label 'contributory infringement' has been applied in a number of lower

3. Copying Occurring on a Company's Physical Premises with Machinery in the Company's Physical Possession

The principle that a company's provision of recording equipment to a user does not make it directly liable for copying also applies to company-owned copying machinery that remains on the company's premises, and subject to its oversight, during its use.

As an initial matter, this premise is so intuitive that it is not often challenged. Indeed, for decades companies like Kinko's, Xerox and CopyShop have invited the public into their stores to use copy machines located on the company's property. In such instances, the copy shop maintains ownership and physical possession of the copy machine. In spite of this, Cablevision is unaware of any case in which this practice has been challenged as a direct infringement of copyrights. Indeed, to the extent that this fact pattern has been addressed in the case law, it is merely noted as an obvious and intuitive instance of the machine owner's *not* being directly liable (because it is the customer who actually makes the copy).

For example, in *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), the Court relied on this paradigm in its examination of allegations of copyright infringement against an internet service provider:

> The court believes that Netcom's act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it *is not unlike that of the owner of a copying machine who lets the public make copies with it.* Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner's liability under the rubric of contributory infringement, not direct infringement.

907 F. Supp. at 1369 (emphasis added). *See also Marobie-Fl, Inc.*, 983 F. Supp. at 1178 ("[T]he court nevertheless finds that [defendant] only provided the means to copy, distribute or display

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court copyright cases involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred.").

plaintiff's works, *much like the owner of a public copying machine used by a third party to copy protected material.* Like a copying machine owner, [defendant] did not actually engage in any of these activities itself. Accordingly, [defendant] may not be held liable for direct infringement.") (emphasis added).

The contrasting fact pattern to a self-service copier on the floor of a Kinko's copy shop is that in which the Kinko's employees actually do the copying themselves, as in *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991). In that case, Kinko's employees themselves copied and bound excerpts of copyrighted works selected by university professors as parts of course "packets" and sold them to college students. *Id.* at 1526. In that situation, liability for direct infringement was deemed appropriate, barring any other defenses, such as fair use. *Id.* at 1530. Indeed, there Kinko's did not even assert that there was an issue with respect to whether it was the entity performing the copying, but merely asserted that it was entitled to rely on the fair use defense that its customers might have been able to assert. *Id.* at 1531-32. *See also Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381 (6th Cir. 1996) (finding direct infringement on similar facts).

Similarly, in *RCA Records v. All-Fast Systems, Inc.*, 594 F. Supp. 335, 336 (S.D.N.Y. 1984), the defendant operated a retail copy store that had a cassette tape-copying machine operated by the store's employees. The uncontested evidence in the case was that on three occasions, representatives of the plaintiffs walked into the store, handed defendant's salespeople a pre-recorded copyright tape, requested that a copy be made, and then the *salesperson* made a copy of the tape using the cassette-copying machine. *Id.* at 337. The district court found this to be a "clear" case of direct copyright infringement, because it involved copying *by the defendant. Id.* ("Defendant's agents did this themselves"). In a passage relevant to the present case, the court made clear the difference between employee copying (direct infringement) and copying by customers using defendant's machines (contributory infringement):

> Plainly plaintiffs are entitled to an order preliminarily enjoining defendant from using the Rezound machine to duplicate their copyrighted recordings. Further, in order to be meaningful the injunction must also forbid *contributory infringement - that is, infringement involving defendant's machines but not its employees.*

Id.

As these cases make clear, the fact that a company retains ownership and physical possession of copying machinery during its use does not determine whether it is a direct infringer. In this context, direct liability is determined by whether the defendant company's employees (as distinct from its machines) are making the copies. When customers use the defendant's machines to themselves make copies, the machine owner is not directly liable. That is due to the principle that supplying the machinery does not make the supplier a direct infringer -- and that principle holds even if the supplier owns, services and maintains possession of the machine on its premises during its use.

4. Server-Based Copying in Response to User Demand

The principle that a company does not directly infringe by providing customers with the means to infringe also applies where a user remotely accesses a company's computer system that is designed to make copies of copyrighted works automatically at the customer's request. This paradigm is relevant to the analysis of the RS-DVR, because its technology is computer- and digital-based. As with an Internet service provider ("ISP"), in the case of the RS-DVR, third party (*i.e.* television programmer) content is available on a digital system, and the customer then decides what among that content to copy and save onto Cablevision's servers. Like an ISP, Cablevision is passive in determining what specific content is available and/or copied. Insofar as Cablevision plays a role in determining which network feeds are permitted to be transmitted over its cable system, it is no different, for example, than a bulletin board service that limits the third parties permitted to post content to its subscribers, or decides to host only certain categories of content on its website. *See CoStar,* 373 F.3d at 547, 555-56 (defendant *LoopNet* deemed a passive ISP notwithstanding that it limited the third parties that could post content to its servers to subscribers, hosted only real estate listings, and acted as a "gatekeeper" in rejecting certain content from being posted). In each of these cases, the decision as to what specific content will be downloaded into the system is made by those third parties whose content is hosted.

More than a decade ago, in *Netcom*, the Court addressed a situation where an individual posted copyrighted material to a computer bulletin board service ("BBS") for the public to download. *Netcom*, 907 F. Supp. at 1365. The BBS, in turn, gained access to the Internet through servers supplied by defendant Netcom, an Internet service provider. *Id.* The undisputed facts were that the individual transmitted his postings to the BBS's computer, where they were briefly stored. *Id.* at 1367. According to a "prearranged pattern established by Netcom's software," the individual's act of posting the message to the BBS's computer resulted in "the automatic copying of [the individual's] message from [the BBS's] computer onto Netcom's computer and onto other computers." *Id.*

Plaintiffs claimed that Netcom was a direct infringer "because its computers in fact made copies." *Id.* at 1370. The Court rejected this assertion, holding that:

> Netcom did not take any affirmative action that directly resulted in copying plaintiffs' works other than by installing and maintaining a system whereby software automatically forwards messages received from subscribers onto the Usenet, and temporarily stores copies on its system. Netcom's actions, to the extent that they created a copy of plaintiffs' works, were necessary to having a working system for transmitting Usenet postings to and from the Internet. [N]either Netcom nor [the BBS] initiated the copying.

Id. at 1368.

The *Netcom* court further held that the allegations of direct infringement against the BBS operator (Klemsrud) fail "for the same reason" that Netcom was entitled to judgment. *Id.* at 1381. The court found that Klemesrud could not be found directly liable for copying simply because his "computer, not Klemesrud himself" created copies. *Id.*

The court made clear that whether there can be direct infringement for an electronic facility that makes copies of data that passes through it turns on whether there is "human intervention" -- using that phrase several times in its opinion -- in the copy process, and that human involvement in the initial design, operation, or implementation of the system did not suffice to create direct liability for infringement. *See, e.g., id.* at 1368-70 ("Netcom's and Klemesrud's systems can operate without any human intervention."). *See also ALS Scan, Inc. v. RemarQ Cmtys., Inc.*, 239 F.3d 619, 622 (4th Cir. 2001) (interpreting *Netcom* as holding that "when an Internet provider serves, without human intervention, as a passive conduit for copyrighted material, it is not liable as a direct infringer.").

The *Netcom* court observed: "Although copyright is a strict liability statute, there should still be some element of volition or causation *which is lacking where a defendant's system is merely used to create a copy by a third party*." *Netcom,* 907 F. Supp. at 1370 (emphasis added). Accordingly, the Court was "not persuaded by plaintiffs' argument that Netcom is directly liable for the copies that are made and stored on its computer." *Id.* at 1372.[4]

Netcom establishes that the designer and owner of a computer system is not directly liable for copying simply because that system automatically and indiscriminately creates and/or stores copies of content at the direction of a third party. That core holding has since been widely

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[4] In contrast, the *Netcom* Court did not enter a judgment for Netcom on plaintiffs' contributory liability claim, finding that there was a material issue of fact as to whether Netcom knew about the infringing activities that were taking place on its system. *Netcom*, 907 F. Supp. at 1374.

applied. *See, e.g., CoStar*, 373 F.3d at 549-50; *Field v. Google, Inc.*, 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006); *Marobie-Fl.*, 983 F. Supp. at 1178; *Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996).[5]

The Fourth Circuit's decision in *CoStar* is particularly instructive. In that case defendant LoopNet operated a website on which individuals could upload photographs, which were then copied on LoopNet's computer servers. *CoStar*, 373 F.3d at 547. *CoStar*, a copyright owner of various photographs posted on the website, "contended that the photographs were copied into LoopNet's computer system and that LoopNet therefore was a copier strictly liable for infringement of CoStar's rights under § 106, regardless of whether LoopNet's role was passive when the photographs were copied into its system." *Id.* at 546. The Fourth Circuit disagreed, finding that LoopNet's ownership, possession and maintenance of an automated computer system that allowed third parties to make copies on its system could not result in the imposition of direct copyright liability.[6] *Id.* The Fourth Circuit observed that LoopNet was simply the "owner and manager of a system used by others" and thus is not an "actual duplicator itself [who can be] *directly* liable for copyright infringement." *Id.* (emphasis in original). The Court reasoned that the Copyright Act

> requires *conduct* by a person who causes in some meaningful way an infringement. Were this not so, the Supreme Court would not have held, as it did in *Sony*, that a manufacturer of copy machines, possessing constructive knowledge that purchasers of its machine may be using them to engage in copyright infringement, is not strictly liable for infringement. This, of course, does not mean that a manufacturer or owner of machines

[5] The *Netcom* court distinguished its holding from *Playboy Enters. Inc. v. Frena*, 839 F. Supp. 1552, 1554 (M.D. Fla. 1993), another BBS case, noting that certain contrary language in that case did not pertain to a discussion of the reproduction right, and further noting that the opinion itself has been "much criticized." *Netcom*, 907 F. Supp. at 1370-71 & n.16. Indeed, since *Netcom*, *Frena* has been further criticized by courts. *See, e.g., ALS Scan*, 239 F.3d at 622 (finding *Netcom* "more persuasive" than *Frena*).

[6] Although *CoStar* was decided after the passage of the Digital Millennium Copyright Act ("DMCA"), LoopNet did not qualify for safe harbor protection under that statute. As a consequence, the case was decided on basic copyright principles without reliance on the DMCA. *CoStar*, 373 F.3d at 552-55.

> used for copyright violations could not have some *indirect* liability, such as contributory or vicarious liability. . . .
>
> But to establish *direct* liability under Sections 501 and 106 of the Act, something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner. . . . When a customer duplicates an infringing work, the owner of the copy machine is not considered a direct infringer. Similarly, an ISP who owns an electronic facility that responds automatically to users' input is not a direct infringer.

Id. at 549-50 (citations omitted and emphasis in original).

The Fourth Circuit specifically endorsed *Netcom*'s "rational interpretation of § 106 when it concluded that a person had to engage in volitional conduct -- specifically, the act constituting infringement -- to become a direct infringer." *Id.* at 551. The court concluded that premising direct copyright liability on the ownership of a copy operation, "or maintenance of a transmission facility that automatically records material -- copyrighted or not -- would miss the thrust of the protections afforded by the Copyright Act." *Id.*

These rulings in *Netcom* and its progeny stem from the same distinction, deeply engrained in Copyright, between making technology available to others for their use and actually "doing" the copying. Machines in the parlance of these cases are "passive"; humans are "active." Recently, the District Court in *Field v. Google,* 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006) expressed this same rationale, in ruling that Google was not liable for the "caching" of web pages: "[W]hen a user requests a Web page contained in the Google cache by clicking on a 'cached' link, it is the user, not Google, who creates and downloads a copy of the cached web page. Google is passive in this process. Google's computers respond automatically to the user's request. . . . The automated, non-volitional conduct by Google in response to a user's request does not constitute direct infringement under the Copyright Act." *Google,* 412 F. Supp. 2d at

1115. In these cases, the human being who initiates or activates the copy process with respect to a given copyrighted work is the direct actor, not the machine or system that responsively or "passively" implements those commands or the company that owns the machine. Nor is human involvement in operating and maintaining the computer system the type of conduct that makes the machine owners directly liable for copying.

The cases that have distinguished *Netcom* have involved conduct beyond supplying and maintaining a server-based system that automatically copies whatever users wish; they instead feature machines that are copying what the company's employees decide to copy. In *Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc.,* 982 F. Supp. 503 (N.D. Ohio 1997), a BBS encouraged its subscribers (by issuing them free download credits) to upload adult photographs to the BBS, among them photographs owned by Playboy; each photograph was then held in an upload file within the BBS system and screened by the defendant's employees to determine whether it was "acceptable"; and BBS employees then "moved" the acceptable photographs from the upload files to the central files where they were displayed to BBS customers. *Russ Hardenburgh, Inc.,* 982 F. Supp at 506, 510.

Notwithstanding that photographs uploaded by subscribers were loaded into BBS computers, the court did *not* hold that the defendant BBS directly infringed on Playboy's *reproduction* rights, apparently accepting defendant's argument that the subscribers engaged in the act of reproduction by uploading the photographs. *Id.* at 512-13. By contrast, the court found that the defendant directly infringed by both distributing and displaying copies of the photographs. *Id.* at 513. This finding was predicated on defendant's policy of having its employees view all uploaded files and move selective photographs into its central files for subscriber viewing. *Id.* The significance was that the files were moved deliberately, selectively and manually by defendant's employees, rather than automatically and indiscriminately by system processes in response to subscriber commands. *Id.* As explained by a later decision applying the case, this "moving of the files, accomplished by employees, constituted the distribution, and the display of those copies after the BBS's employees *placed* the files there violated the right of display." *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1168 (C.D. Cal. 2002) (emphasis in original).

A similar case is *Playboy Enterprises, Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997). In that case, the defendant, Webbworld, operated a website that displayed adult-oriented photographs. *Id.* at 548. Webbworld obtained the images displayed on its site by, first, downloading to one of its servers digital files from select adult "newsgroups" (Internet forums). *Id.* at 548. Webbworld then ran "ScanNews" software on these files, which contained both images and text, to cull out the adult-oriented images and discard the text. *Id.* The adult-oriented images were then transferred from this first server and loaded into the memory of a series of web servers, which would display both full-sized images and smaller, thumbnail versions of the images to any Internet user willing to pay for a subscription to Webbworld. *Id.* at 550.

The court found that Webbworld reproduced Playboy photographs by downloading full size images into its computers and creating further thumbnail copies from them. *Id.* at 551. The court rejected Webbworld's claim that, like the *Netcom* defendants, it automatically passed along images to its subscribers and thus was not a direct infringer, emphasizing that Webbworld "troll[ed]" the Internet for product to download onto its computers material from only certain selected sources and "re-package[d]" the images by deleting text and creating thumbnails. *Id.* at 552. Given its selectivity -- not in any way based on subscriber's choice -- as to what to copy onto its servers and its alteration of the copied material, Webbworld could not claim to be operating a machine that passively reproduced material at the direction of subscribers.

The *Netcom* line of cases makes plain that direct liability does not attach to a system operator that provides subscribers access to a server-based system that automatically and indiscriminately makes copies in response to subscriber commands. The provider of such a system is not *actively* engaged in copying within the meaning of the Act. *See Perfect 10*, 212 F. Supp. 2d at 1168 ("The principle distilled from the [*Netcom* line of cases] is a requirement that defendants must *actively* engage in one of the activities recognized in the Copyright Act.") (emphasis added). Nor does the operator of a computer system that makes or stores copies become actively engaged in copying simply because its employees are involved in servicing and maintaining the system.

C. With Respect to RS-DVR, Cablevision Does not Actively Engage in Copying Because it Does not Initiate the Recording of Programs or Decide What Gets Copied.

RS-DVR is a system that makes copies in response to customers' commands -- just as with a Betamax, a set-top storage DVR, or the server-based systems addressed in *Netcom* and its progeny. Cablevision will not initiate the copying, nor will it determine what programs will be copied. As such, all Cablevision has done is create a system that enables customers to exercise their well-established rights to time-shift. With this in mind, it is clear that Cablevision cannot be held liable as a direct infringer of plaintiffs' copyrights.

1. Cablevision Does Not Initiate Any Copying.

The undisputed facts regarding the manner in which the RS-DVR functions makes clear that Cablevision will not initiate the copying of programming. All recordings made using the RS-DVR will be initiated by individual customers. *See* LR56.1 ¶ 10 (Mitchko Decl. ¶¶ 14-15, 29). If no Cablevision customer selects a particular program for recording, then no copy of that program will be made. Moreover, the resulting electro-mechanical process by which the RS-DVR makes a copy is entirely automatic, and involves no human intervention or decision-making by any employee at Cablevision. *See id.*

While it is true that after the customer initiates recording, a chain of complex computer processes is set off in response, this fact does not distinguish RS-DVR from a STS-DVR or even a digital photocopier. Copying with these devices also depends on directly analogous, complex systems that manage digital information through multiple electronic processes. Nor does the fact that much of the computer equipment comprising the RS-DVR is owned by Cablevision, is located on its premises, or will be maintained by Cablevision during its use have any bearing on the question of whether Cablevision is doing the copying, any more than ownership, physical possession, or maintenance of copy machinery turn Kinko's or Netcom into direct infringers.

2. Cablevision Does Not Select What Specific Programming Is Or Can Be Copied.

Moreover, Cablevision does not decide what particular programs are copied; the customer does. *See id.* While it is true that Cablevision has a role in determining what networks will be carried on its cable system as linear programming, that decision itself has nothing to do with the recording of television programs in general or RS-DVR in particular. Rather, Cablevision has been indiscriminate regarding what programs will be available for copying using RS-DVR. Just as with an STS-DVR, all Subscription Programming can be recorded by the customer using the RS-DVR. *See* LR56.1 ¶ 4 (Mitchko Decl. ¶¶ 6, 12, 15; Carroll Decl. Ex. B, Gottesman Dep. at 245:4-5. *Cf. Sony*, 464 U.S. at 436 (observing that the Betamax was "capable of copying the entire range of programs").

In short, the choice to record particular programming is entirely within the control of the customer, and Cablevision merely supplies the RS-DVR machinery that makes the recordings in question possible. As a result, to the extent that Cablevision could be deemed liable for copyright infringement, it would have to be under a theory of indirect infringement.

D. RS-DVR Buffering Does Not Constitute Copying Under The Copyright Act.

Perhaps recognizing the weakness of their direct infringement case with respect to the complete recording that will reside on the hard drive of the RS-DVR, plaintiffs in response to interrogatories have indicated that they may raise another argument -- that additional (and unauthorized) copies of programming are made in computer memory "buffers" as the digital programming streams travel through the RS-DVR system. It is true that as the digital electronic programming signals travel through the RS-DVR system, small fragments of such signals are placed into momentary computer memory "buffers" to effectuate the digital processing in question. *See* LR56.1 ¶ 12 (Mitchko Decl. ¶ 28). Indeed, the use of such memory "buffers" is necessary to processing digital information in all types of digital electronic equipment, and was certainly present in the computer systems analyzed under *Netcom*, *CoStar*, and *Google*.

In any event, if plaintiffs choose to pursue such a contention, it adds nothing to plaintiffs' principal contention. As will be demonstrated more fully if plaintiffs pursue any such claim, the memory "buffers" in question have at least one or more of the following qualities, each of which eliminates any claim of independent copyright liability: They are tiny in size, momentary in duration and otherwise *de minimis* such that they cannot constitute either a "copy" or an infringement; they have no use or significance other than as part of ordinary course signal processing and are entirely inaccessible to customers except as embodied in an ultimate recording specifically requested by the user; they are not of any one particular program; and they are initiated by the customer and occur automatically without human intervention. See generally LR56.1 ¶ 12 (Mitchko Decl. ¶¶ 28, 40). As a result, these "buffers" cannot constitute the basis for direct infringement.

II. CABLEVISION DOES NOT INFRINGE PLAINTIFFS' COPYRIGHTS WHEN A CUSTOMER USING RS-DVR RETRIEVES AND PLAYS THE PROGRAMMING HE OR SHE HAS RECORDED.

Plaintiffs also claim, as a separate alleged basis for liability, that Cablevision directly infringes plaintiffs' right to publicly perform their copyrighted works under 17 U.S.C. § 106(4). This argument also fails as a matter of law.

First, much like Cablevision is not doing the "copying" with RS-DVR, there is no "performance" by Cablevision during playback. The "performance," like the prior copying, is done by the customer. *See* LR56.1 ¶ 11 (Mitchko Decl. ¶¶ 33-34, 37-39, 41, 43; Carroll Decl. Ex. A, Mitchko Dep. at 71:9-23; 73:2-12; 84:17-85:7). Second, the "public performance" argument also fails because the performance itself -- consisting of the streaming of the customer's own copy of his show for viewing in the privacy of his home -- is clearly "private."

A. Cablevision Is Passive In The Retrieval And Play Back Of Recordings.

As discussed in detail above, to be held liable for *direct* infringement, a party must do more than provide the machinery that allows someone else to engage in an infringing activity. The party must be actively engaged in the infringing activity itself. This analysis applies equally whether the alleged infringement involves a violation of the exclusive right to copy under Section 106(1), or the exclusive right in public performance under Section 106(4). Here, plaintiffs' "public performance" theory fails for much the same reason as its "reproduction" theory -- because Cablevision is not "doing" the performance, as the case law demonstrates.

Indeed, many of the cases that address the direct/indirect distinction with respect to recording also involve, as here, the delivery of centrally-stored data to users. In *Marobie-FL, Inc. v. National Association of Fire Equipment Distributors*, 983 F. Supp. 1167, 1171 (N.D. Ill. 1997), plaintiff alleged claims against a web hosting company that allowed its customers to copy material on its servers, so that the material could be displayed on a website and thereafter transmitted to third parties who wanted to download it. In addressing the question of whether the web hosting company could be found directly liable for infringing on plaintiff's copying, distribution, and display rights, the Court addressed all of the alleged infringements together, finding that:

> [The defendant] only provided the means to copy, distribute or display plaintiffs' works, much like the owner of a public copying machine used by a third party to copy protected material. Like a copying machine owner, [the defendant] did not actually engage in any of these activities itself. Accordingly, [the defendant] may not be held liable for direct infringement.

Id. at 1178.

The Court took a similar approach in *Netcom*. The Court considered that user messages were not only copied into Netcom's servers, but also posted on the BBS and transmitted to other users who downloaded them. *See Netcom*, 907 F. Supp. at 1361-68, 71-72. Having made the determination that Netcom was not actively engaged in copying, the Court spent significantly less time analyzing whether the *transmission* of material from Netcom's computer server gave rise to direct liability; the court concluded that the notion of holding an ISP liable for such a transmission "suffers from the same problem of causation as the reproduction argument. Only the subscriber should be liable for causing the distribution of plaintiff's work, as the contributing actions of the [defendant] are automatic and indiscriminate." *Id.* at 1372. *See also CoStar*, 373 F.3d at 555 ("Agreeing with the analysis in *Netcom*, we hold that automatic copying, storage, and transmission of copyrighted materials, when instigated by others, does not render an ISP strictly liable for copyright infringement under ... the Copyright Act.").[7]

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[7] Although the cases cited above did not involve the public performance right as such, they did involve the display right, which is essentially coextensive with the public performance right as it potentially relates to this case. The principal difference between the Section 106(4) public performance right and the Section 106(5) public display right is that the former covers "sequential" showings of creative works (*e.g.*, movies), while the latter covers showings of "nonsequential" "individual images" (*e.g.*, a photograph). *See* 17 U.S.C. §§ 101, 106 (2006). That

As discussed above, the cases dealing with ISPs are particularly instructive in this case because the RS-DVR servers share many of the essential attributes of the Internet servers addressed by those courts. The RS-DVR (like an ISP) allows customers to record and store content in the form of digital data on Cablevision's servers. *See, e.g.*, LR56.1 ¶ 8 (Mitchko Decl. ¶¶ 13, 14, 21-27, 29, 31). Like an ISP's servers, the RS-DVR allows customers to then retrieve this digital data from the server using Internet protocol. Mitchko Decl. ¶ 37. In this way, the machinery copies, stores, and sends data at the direction of the user and is indifferent to the specific content of what is copied, stored, or sent. *Cf. Netcom*, 907 F. Supp. at 1372 ("Where the BBS merely stores and passes along all messages sent by its subscribers and others, the BBS should not be seen as causing these works to be publicly distributed or displayed.").

Plaintiffs may point out that in *On Command Video Corp. v. Columbia Pictures Industries*, 777 F. Supp. 787 (N.D. Cal. 1991), the court found that when a hotel supplied its guests with a centrally located video on demand VOD system, it was a direct infringer notwithstanding the fact that its guests actually initiated the alleged transmission. But such an observation would be irrelevant. What is relevant about RS-DVR under the case law described above is not merely that the playback of certain centrally-stored programs is customer-initiated but that the entire RS-DVR system of which playback is just one part is automatic in all relevant respects: Particular copies are made, stored and viewed automatically at the direction of subscribers and without any involvement from Cablevision employees. See LR56.1 ¶ 7 (Mitchko Decl. ¶¶ 20, 21, 31). In short, because particular programs and copies thereof are being passed through an automated system, the RS-DVR is not a VOD system similar to the one

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difference is immaterial for purposes of the *Netcom* principle. Indeed, the statutory definitions of "transmit" and "publicly" at issue in this case expressly apply to both rights. *See* 17 U.S.C. § 101.

examined in *On Command* where the hotel pre-selected and owned an inventory of VCR tapes that it manually loaded into VCR for transmission to customers, and Cablevision cannot be said to be actively engaged as a direct infringer in *any* of the proscribed activities set forth in Section 106 of the Copyright Act.

B. There Is No Public Performance.

In any event, Cablevision cannot be found directly liable for engaging in a "public" performance. Indeed, the viewing by a customer of his or her own copy of time-shifted programming within the home is the very essence of a "private" occurrence.

Section 106(4) of the Copyright Act grants owners of copyrights the exclusive right "to perform the copyrighted work publicly." 17 U.S.C § 106(4) (2006). In relevant part, Section 101 of the Copyright Act further defines what it means, "to perform a work 'publicly'" as "to transmit or otherwise communicate a performance... of the work... *to the public*, by means of any device or process whether the *members of the public* capable of receiving the performance...receive it in the same place or in separate places and at the same time or at different times." 17 U.S.C. § 101 (2006) (emphasis added).

There is no dispute that, with respect to the RS-DVR, the copy of any program recorded by an individual customer is specifically identified with that customer's set-top box. *See* LR56.1 ¶ 9 (Mitchko Decl. ¶¶ 14, 24, 36, 41; Carroll Decl. Ex. A, Mitchko Dep. at 47:13-48:3; 61:8-23; 63:12-24). No other customer has access to that copy, and that copy cannot be received for playback by any other set-top box.[8] *Id.* As a result, any performance of plaintiffs' copyrighted

[8] It is true that when a customer retrieves his or her copy for playback, that copy is streamed over Cablevision's system to all of the set-top boxes that share that customer's "node" or node grouping (each node serving fewer than 500 customers). However, it is equally true that only the set-top box through which the programming was recorded can "receive" the signal in a manner in which any of the sounds and pictures of the work can be perceived. This is because the individual copy that is streamed over the node is specifically identified with the individual's set-top box, and only that set-top box has the necessary conditional access decryption key and the unique identifier to allow the signals to be decoded and translated into a performance of the copyrighted work.

works occasioned by a customer's retrieval of his or her recorded programming cannot be deemed to be "public" in nature. The Act's "public performance" right was clearly never intended to prohibit a customer's viewing of his own copy of a work in the privacy of his own home.

While plaintiffs in their complaints repeatedly alleged that RS-DVR is a form of VOD, *see* Fox Complaint ¶¶ 1, 2, 18; Turner Complaint ¶¶ 1, 20, 27, 46, 47, they are clearly mistaken. As demonstrated by the *On Command* case, VOD involves the playback to multiple persons, albeit at different times and places, of a shared copy of a work procured by the system operator to be made available for playback. Each VOD customer's separate playback is united by the fact that the same operator-procured copy is being used over and over, and it is this playback from a common operator-procured copy that makes public what would otherwise be separate private performances. *See Columbia Pictures Indus., Inc. v. Redd Horne*, 749 F.2d 154, 159 (3d Cir. 1984) *("'[I]f the same copy* ... of a given work is repeatedly played (*i.e.*, 'performed') by different members of the public, albeit at different times, this constitutes a 'public' performance.' ...Although [defendant] has only one copy of each film, it shows each copy repeatedly to different members of the public. This constitutes a public performance." (citing 2 NIMMER, § 8.14[C] [3], at 8-142 (emphasis in original)). With RS-DVR, a common operator-procured copy will never be repeatedly played for different members of the public at different times. Instead, each individual customer's copy of any given program (made by that customer) is transmitted only to that customer's set-top box. *See* LR56.1 ¶ 10 (Mitchko Decl. ¶¶ 14, 24, 29, 36, 38, 41; Carroll Decl. Ex. C, Blattman Dep. at 182:24-183:23; Carroll Decl. Ex. A, Mitchko Dep. at 316:22-318:2). *See also* H.R. Rep. No. 1476, 94th Cong. 2d Sess. at 64-65 ("[I]f a transmission

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Therefore, a given copy of a program will be accessible only through the set-top box through which the associated copy was made.

is available to only one person, then it clearly fails to qualify as 'public.' For it neither directly reaches 'a substantial number of persons,' nor is it transmitted to a place where such a grouping is congregated.").

At bottom, any conclusion other than that an RS-DVR playback of one's own copy of a program in one's own home is a private performance would read the word "public" entirely out of the copyright law.

CONCLUSION

For the foregoing reasons, Cablevision should be granted summary judgment on its claims, as well as those of the plaintiffs.

Respectfully submitted,

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